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MANGEL

STORES CORPORATION
AND SUBSIDIARIES

ANNUAL REPORT 1958

FOR THE YEAR ENDED
FEBRUARY FIRST

Directors

HERBERT J. DEITZ

ISRAEL A. DIAMOND

PHILIP DIAMOND

PHILLIP F. FRANKEL

SAUL C. GUZY

GEORGE M. JAFFIN

AL KLEIN

SIDNEY MANGEL

SOL MANGEL

MAX WEINREICH

Officers

SOL MANGEL, *President*

PHILLIP F. FRANKEL, *Vice President*

SIDNEY MANGEL, *Vice President*

ISRAEL A. DIAMOND, *Vice President and Assistant Treasurer*

SAUL C. GUZY, *Vice President and Assistant Secretary*

SOPHIA KAUFMAN, *Vice President*

PHILIP DIAMOND, *Treasurer*

MAX WEINREICH, *Secretary*

AL KLEIN, *Controller*

MANGEL
STORES CORPORATION

COUNSEL
Cole, Grimes, Friedman & Deitz, New York, N. Y.

AUDITORS
S. D. Leidesdorf & Co., New York, N. Y.

TRANSFER AGENT
Guaranty Trust Company of New York
140 Broadway, New York 15, N. Y.

REGISTRAR
Manufacturers Trust Company
55 Broad Street, New York 4, N. Y.

LISTED
American Stock Exchange

ANNUAL MEETING
First Tuesday in May

EXECUTIVE OFFICES
115 West 18th Street, New York 11, N. Y.

Mangel Stores Corporation operates stores in the names of:

Mangel's

Shopper's Fair

Salle Ann

President's Letter

TO OUR SHAREHOLDERS:

In behalf of the Board of Directors, I am pleased to submit the report of the Company for the year ended February 1, 1958.

SALES

Total net sales including income from leased departments reached the record sum of $39,529,035 for the year ended February 1, 1958, an increase of $6,351,335, or 19.1% over the previous year. This increase was accomplished, principally, by the five new self-service stores opened during the year under review.

EARNINGS

Net income for the year after all charges including all taxes on income amounted to $1,049,033 as compared with $1,275,260 in the previous year. Share earnings were $2.07 this year and $2.52 last year. These figures for each year are before deduction of the special items for prior years' tax adjustments described elsewhere in this report.

Earnings this year were affected substantially, as compared with last year, by the starting up expenses in opening the five new self-service stores and the cost of re-locating our offices and warehouses to our own buildings. These non-recurring expenses were charged off completely in the current year.

DIVIDENDS

Dividends paid during the year totaled $1.15 per share consisting of a 25c dividend on March 15, 1957 (adjusted for the 2 for 1 stock distribution made on May 28th, 1957) and three quarterly dividends of 30c each.

At the present rate, the annual dividend is $1.20 per share as compared with $1.00 per share last year, after giving effect to the 2 for 1 stock distribution.

FINANCIAL CONDITION

Our financial condition was again improved as shown by the Comparative Consolidated Balance Sheet on Pages 6 and 7.

Assets totaled $18,393,448 as compared with $16,537,102 an increase of $1,856,-346. This increase is reflected in higher balances of cash, merchandise inventories, and fixed assets.

Net worth amounted to $10,078,219, the first time in the history of the Company that net worth exceeded ten millions. Net worth at the end of the preceding year was $9,763,895.

Book value per share of stock this year is $19.92 as compared to $19.31 last year after adjustment for the stock distribution.

TEN YEAR SUMMARY OF PROGRESS

I am sure you will find very interesting, the "Ten Year Summary of Progress" shown on Pages 4 and 5.

Of particular note are the increases shown in the following important items over the ten year period:

	1958	1948	% CHANGE:
Net Sales	$39,529,035	$27,081,382	+ 46%
Dividends Paid	581,638	256,802	+126%
Net Working Capital	6,893,211	3,373,724	+104%
Shareholders' Equity	10,078,219	5,850,000	+ 72%
Book Value Per Share	19.92	11.39	+ 75%

EXPANSION PROGRAM

During the year we opened eight new stores of which five were self-service stores and closed ten unprofitable stores, leaving 123 operating at the end of the year as compared with 125 stores at the beginning of the year.

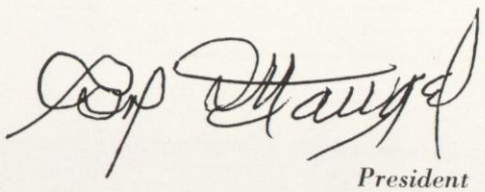
In spite of the decrease of two stores in operation at the end of the year, we enjoyed an increase in sales due to the much larger stores in operation during the year.

NEW FINANCING

In order to obtain additional funds for the Company's long range expansion program, $3,000,000 of 5½% Convertible Subordinated Debentures due 1973 were sold publicly in March 1958 through a group of underwriters headed by Lee Higginson Corporation. The debentures are described in the notes to financial statements in this report. Previously, on January 31, 1958, a mortgage loan in the amount of $1,000,000 was obtained on the Company's Home Office buildings. As a result of such financing, our Company's foreseeable cash requirements are assured.

GENERAL

We wish to express our sincere thanks to all our employees, both at the Home Office and in the stores, shareholders and suppliers for their cooperation and contribution toward a successful year.



April 22, 1958.

President

MANGEL
STORES CORPORATION
AND SUBSIDIARIES

	FISCAL YEAR ENDED FEB. 1 1958	1957	1956
INCOME DATA:			
Net Sales*	$39,529,035	$33,177,700	$28,915,939
Income before Federal Taxes	1,719,033	2,000,260	1,642,986
Income after Federal Taxes	1,049,033**	1,275,260**	1,079,986
Dividends Paid	581,638	505,574	353,902
Number of Stores	123	125	118
BALANCE SHEET DATA:			
Current Assets	$ 9,948,791	$ 8,881,631	$ 8,910,438
Current Liabilities	3,055,580	2,071,628	2,344,816
Net Working Capital	6,893,211	6,810,003	6,565,622
Current Ratio	3.2	4.2	3.8
Accounts Receivable	$ 2,796,598	$ 2,976,121	$ 2,834,455
Merchandise Inventories	3,969,138	3,628,380	3,338,297
Fixed Assets	7,759,988	7,213,475	5,554,515
Long-Term Debt	5,259,649	4,701,579	3,447,432
Shareholders' Equity	10,078,219	9,763,895	9,142,911
PER SHARE DATA (all years adjusted for 100% stock distribution made on 5/28/57):			
Net Income	$ 2.07**	$ 2.52**	$ 2.13
Dividends	1.15	1.00	.70
Book Value	19.92	19.31	18.08

**Net sales for 1956 and subsequent years include income from leased departments and for 1955 and prior years include sales of leased departments.*

***Before deduction of special item of $160,249 ($.32 per share) in 1958 and $148,702 ($.30 per share) in 1957.*

10 Year Summary of Progress

FISCAL YEARS ENDED JANUARY 31					CALENDAR YEARS ENDED DEC. 31	
1955	**1954**	**1953**	**1952**	**1951**	**1949**	**1948**
$27,564,670	$28,491,478	$29,013,922	$29,116,235	$25,635,310	$25,668,102	$27,081,382
1,358,214	1,416,396	1,161,101	1,120,674	1,029,169	776,185	1,552,965
890,215	856,953	757,998	743,721	615,404	544,994	993,596
316,108	316,608	256,287	256,787	256,787	256,802	256,802
117	117	114	117	115	89	89
$ 7,806,653	$ 7,694,010	$ 7,151,569	$ 7,790,923	$ 6,327,051	$ 5,493,944	$ 5,596,269
1,382,041	1,322,543	1,302,752	1,798,027	2,014,909	1,447,635	2,222,545
6,424,612	6,371,467	5,848,817	5,992,896	4,312,142	4,046,309	3,373,724
5.6	5.8	5.4	4.3	3.1	3.8	2.5
$ 2,312,078	$ 1,947,215	$ 1,771,636	$ 1,734,182	$ 1,335,780	$ 1,056,662	$ 1,406,692
3,246,598	3,006,483	2,969,312	3,072,182	3,490,150	1,882,276	2,321,333
3,816,201	4,194,667	4,359,657	4,042,871	3,818,043	3,664,708	2,919,829
2,722,340	2,996,995	3,271,361	3,545,435	2,269,199	1,943,450	747,688
8,416,827	7,851,221	7,310,876	6,859,885	6,372,950	6,138,191	5,850,000
$ 1.76	$ 1.69	$ 1.49	$ 1.45	$ 1.20	$ 1.06	$ 1.93
.625	.625	.50	.50	.50	.50	.50
16.65	15.50	14.43	13.36	12.41	11.95	11.39

MANGEL
STORES CORPORATION
AND SUBSIDIARIES

Assets

	1958	1957*
CURRENT ASSETS:		
Cash	$ 3,112,136	$ 2,157,476
United States Government securities — at cost, plus accrued interest (approximate market value), less amounts applied in reduction of reserve for Federal taxes on income — per contra — $20,622, 1958; $932,261, 1957	—	80,571
Accounts receivable — trade, less reserves for doubtful accounts ($289,808, 1958; $284,679, 1957) and unearned carrying charges ($285,609, 1958; $300,227, 1957)	2,796,598	2,976,121
Miscellaneous receivables, including, in 1958, current installment of a note receivable	70,919	39,083
Merchandise inventory — at the lower of cost or market, based upon the retail method of inventory valuation (including merchandise in hands of supplier and in transit — at cost — $183,115, 1958; $149,426, 1957)	3,969,138	3,628,380
TOTAL CURRENT ASSETS	9,948,791	8,881,631
OTHER ASSETS:		
Mortgage receivable	135,835	135,835
Note receivable, less current installment of $4,000	32,000	—
Deposits and miscellaneous other assets	70,862	51,791
	238,697	187,626
FIXED ASSETS — at cost, except for $86,960 of real estate which is at appraised amount:		
Real estate — subject (except for part in 1957) to mortgages — per contra, less reserves for depreciation — $188,048, 1958; $131,032, 1957	2,746,251	2,113,671
Furniture, fixtures, equipment and leasehold improvements, less reserves for depreciation and amortization — $3,309,459, 1958; $3,838,702, 1957	4,945,024	3,901,468
Construction in progress	68,713	1,198,336
	7,759,988	7,213,475
DEFERRED CHARGES:		
Unexpired insurance	146,730	134,315
Prepaid taxes, expenses, etc.	299,241	120,054
	445,971	254,369
GOODWILL	1	1
	$18,393,448	$16,537,102

*Reclassified for co

The Notes to Financial Statements are an integral p

Comparative Consolidated Balance Sheet

As at February 1, 1958 and January 31, 1957

Liabilities

	1958	1957*
Current Liabilities:		
Current installments of long-term debt — Note A	$ 525,500	$ 493,397
Accounts payable — merchandise, less discounts	593,375	440,274
Accounts payable — expenses, taxes, etc.	906,661	998,607
Customers' deposits on layaway sales and credits	134,488	139,350
Reserve for Federal taxes on income, less United States Government securities — at cost, plus accrued interest — per contra — $20,622, 1958; $932,261, 1957	895,556	—
Total Current Liabilities	3,055,580	2,071,628
Long-Term Debt, Less Current Installments — Note A:		
Note payable — bank	1,600,000	1,800,000
Notes payable — insurance company	1,816,000	2,083,000
Mortgages payable (collateralized by real estate — per contra — and, in 1958, by certain leases)	1,843,649	818,579
	5,259,649	4,701,579
Total Liabilities	8,315,229	6,773,207
Capital Stock and Surplus — Notes A and B:		
Common Stock — par value $1 per share:		

	Shares			
	1958	1957		
Authorized	1,000,000	300,000		
Issued	564,940	282,470	564,940	282,470
Less: Treasury stock	58,886	29,683	58,886	29,683
Outstanding	506,054	252,787	506,054	252,787

Surplus:		
Capital Surplus	796,104	789,506
Earned Surplus	8,776,061	8,721,602
	10,078,219	9,763,895
Long-Term Leases and Contingent Liabilities — Note C		
	$18,393,448	$16,537,102

parative purposes.

t of this statement and should be read in conjunction herewith.

MANGEL
STORES CORPORATION
AND SUBSIDIARIES

Comparative Consolidated Statement of Income and Earned Surplus

For the period from February 1, 1957 to February 1, 1958
and for the year ended January 31, 1957

	1958	1957
Net sales, including income from leased departments	$39,529,035	$33,177,700
Cost of sales, and general, administrative and selling expenses (exclusive of depreciation and amortization), less service charges on customers accounts	36,899,326	30,438,440
	2,629,709	2,739,260
Depreciation and amortization	853,115	798,091
	1,776,594	1,941,169
Other income (deductions) — net	(57,561)	59,091
Net income before Federal income taxes	1,719,033	2,000,260
Federal income taxes	670,000	725,000
Net income	1,049,033	1,275,260
Special item:		
Federal taxes on income and other adjustments applicable to prior years (net) based on examinations by Internal Revenue Service	160,249	148,702
Net income less special item	888,784	1,126,558
Earned Surplus as at January 31, 1957-1956	8,721,602	8,100,618
	$ 9,610,386	$ 9,227,176
Deduct:		
Distribution of Common Stock — Note B	$ 252,687	
Cash dividends paid on Common Stock — $1.15 per share in 1958 and $1.00 per share in 1957*	581,638	$ 505,574
	$ 834,325	$ 505,574
Earned Surplus as at February 1, 1958, and January 31, 1957 — Notes A and B	$ 8,776,061	$ 8,721,602

**Amount per share adjusted retroactively for the distribution of Common Stock on May 28, 1957 — see Note B.*

The Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

Notes to Financial Statements

As at February 1, 1958

The figures as at and for the year ended January 31, 1957, are shown in the accompanying financial statements for comparative purposes. Reference is made to the previously issued report for the notes applicable thereto. Subsequent to January 31, 1957, the Company and its subsidiaries adopted an annual fiscal period consisting of 52 or 53 weeks ending on the Saturday nearest to January 31.

NOTE A — LONG-TERM DEBT:

Installments of long-term debt are payable as follows:

	Total	*Note payable— bank (4½%)*	*Notes payable— insurance company (3¼% to 4%)*	*Mortgages payable (4% to 5½%)*
Original amount	$8,014,500	$2,000,000	$4,000,000	$2,014,500
Installments due in year ending February 1:				
1959	$ 525,500	$ 200,000	$ 267,000	$ 58,500
1960	528,459	200,000	267,000	61,459
1961	531,568	200,000	267,000	64,568
1962	1,999,837	1,200,000	732,000	67,837
1963	171,274		100,000	71,274
1964	174,888		100,000	74,888
1965	175,018		100,000	75,018
1966	195,183		100,000	95,183
Subsequent (maturing 1967 to 1977)	1,483,422		150,000	1,333,422
	$5,785,149	$1,800,000	$2,083,000	$1,902,149

The note payable — bank may be prepaid in whole or in part, at any time without premiums.

Among other matters, the loan agreements with the bank and with the insurance company, as amended, (1) require that consolidated working capital, as defined, be maintained at an amount not less than $5,000,000 and (2) limit the payment of dividends (except stock dividends), the net reduction of capital stock through acquisition and sale of shares, and the amount of certain investments to the sum of $250,000 plus 70% of consolidated net earnings during the period from February 1, 1951, to the end of the preceding fiscal quarter, provided also that consolidated working capital, as defined, would not thereby be reduced below $5,750,000. As at February 1, 1958, the approximate amount of $2,050,000 of consolidated surplus is not subject to the foregoing limitations computed under the earnings formula set forth above. However, as at February 1, 1958, consolidated working capital, as defined, approximated $7,160,000; accordingly, only the approximate amount of $1,410,000 of consolidated surplus is not restricted as at that date.

NOTES *to Financial Statements (continued)*

NOTE A — LONG-TERM DEBT: (Continued)

Mortgages payable includes $1,000,000 borrowed on January 31, 1958, from another insurance company at 5½% interest per annum. The loan matures in 1973 and may be prepaid on or after May 1, 1963, with premiums of various amounts.

On March 18, 1958, the Company issued $3,000,000 principal amount of 5½% Convertible Subordinated Debentures, due March 1, 1973, at face amount less underwriting commissions. The debentures require annual sinking fund payments to be made on or before February 28 of each year, starting in 1961, sufficient to redeem $210,000 principal amount of debentures at declining premiums starting at 2½%. The debentures are redeemable in whole or in part, at the option of the Company, other than for the sinking fund, at principal amount plus declining premiums starting at 5½%. The debentures are convertible at the option of the holders into Common Stock at $16.50 per share to March 1, 1963, at $18.00 thereafter to March 1, 1968, and at $19.50 thereafter to March 1, 1973, subject to adjustment under certain conditions. The indenture under which the debentures were issued restricts the amount of dividends or other distributions (other than stock dividends) which may be declared or paid on the Company's capital stock to an amount equal to $900,000 plus consolidated net income accrued after January 31, 1958, provided that consolidated net current assets after such action will be at least equal to consolidated funded indebtedness. The indenture also imposes restrictions on the amount and type of indebtedness which the Company and its subsidiaries may incur. The debentures are subordinated, in right of payment, to senior indebtedness (as defined) which at February 1, 1958, consisted of all of the long-term debt of the Company, including current installments thereof and accrued interest. Underwriting commissions, fees and other expenses related to issuance of the debentures amounted to approximately $200,000 and will be charged to income over the terms of the outstanding debentures.

NOTE B — CAPITAL STOCK AND SURPLUS:

After approval by the stockholders on May 7, 1957, the Company's authorized Common Stock was increased from 300,000 shares to 1,000,000 shares and, on May 28, 1957, one additional share of Common Stock was distributed for each share then issued, including treasury shares. Upon such distribution, the Common Stock account was increased by $282,470 (aggregate par value of the additional shares issued), the treasury stock account was increased by $29,783 and Earned Surplus was decreased by $252,687.

On May 21, 1957, the Company's Board of Directors approved a stock option plan under which options for the purchase of shares of the Company's Common Stock may be granted to certain officers and employees. Each option under the plan is non-transferable and is exercisable from date of grant until termination of employment of the optionee, but not later than May 21, 1962, except that optioned shares may be purchased only out of funds accumulated by the Company for the account of the optionee by means of withholdings for this purpose from the optionee's salary, and that the option may be exercised only to the extent that the optionee's account has sufficient funds to purchase multiples of ten shares. The optionee may, at any time, withdraw all or any part of the funds accumulated in his account. The Company has issued shares of its Common Stock held in the treasury in satisfaction of all options exercised and intends to continue this practice. The Company has made, and intends to make, no charges to income in connection with the plan, and intends to credit to its Capital Surplus account any excess of proceeds received over the par value of treasury shares issued upon exercise of options.

On May 21, 1957, options were granted under the above-mentioned plan to thirty-four executive and supervisory employees for the purchase of an aggregate number of 13,500 shares at $15 a share or an aggregate option price of $202,500. The market price of such shares at the date of grant was $17 a share or an aggregate market price of $229,500. On August 28, 1957, options for the purchase of 680 shares were exercised at $15 a share (aggregate $10,200), and as at that date the market price of such shares was $16.25 a share (aggregate $11,050). As at February 1, 1958, unexercised options for the purchase of 12,820 shares were outstanding at an aggregate option price of $192,300, as to which shares the aggregate market price

NOTES *to Financial Statements (continued)*

NOTE B — CAPITAL STOCK AND SURPLUS (Continued)

as at date of grant was $217,940. Of the total proceeds of $10,200 received upon the above-mentioned exercise of options for 680 shares, $3,602 was credited to the treasury stock account, and the balance of $6,598 was credited to the Capital Surplus Account. On February 25, 1958, options for the purchase of 480 shares were exercised at $15 a share (aggregate $7,200), and as at that date the market price of such shares was $14.50 a share (aggregate $6,960).

Of the authorized shares, 181,819 shares are reserved initially for conversion of the 5½% Convertible Subordinated Debentures issued by the Company on March 18, 1958. See Note A.

For information concerning restrictions affecting capital stock and consolidated surplus, see Note A.

Consolidated surplus includes undistributed earnings of subsidiaries which may be subject to Federal and state income taxes if and when received by the Company in the form of dividends.

NOTE C — LONG-TERM LEASES AND CONTINGENT LIABILITIES:

As at February 1, 1958, the minimum annual rentals on property covered by 108 leases expiring after February 1, 1961, exclusive of inter-company rentals, amounted to approximately $1,431,000. Certain lease agreements provide for additional rentals based upon sales or for payment of real estate taxes, insurance, etc. In addition, two lease agreements provide for rentals exclusively on the basis of sales.

GENERAL — The accompanying financial statements are subject to final determination of Federal, state and local taxes.

Accountants' Report

TO THE BOARD OF DIRECTORS
MANGEL STORES CORPORATION
NEW YORK, N. Y.

We have examined the consolidated balance sheet of Mangel Stores Corporation and subsidiaries as at February 1, 1958, and the related consolidated statement of income and earned surplus for the period from February 1, 1957 to February 1, 1958. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at February 1, 1958, and the consolidated results of their operations for the period from February 1, 1957 to February 1, 1958, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & Co.

New York, N. Y.
April 11, 1958

MANGEL
STORES CORPORATION

123 STORE LOCATIONS

ALABAMA
- Anniston
- Birmingham
- Decatur
- Florence
- Huntsville (2)
- Mobile
- Montgomery (2)
- Prichard
- Selma
- Tuscaloosa

ARKANSAS
- Fayetteville
- Fort Smith
- Hot Springs
- Little Rock
- Pine Bluff

CONNECTICUT
- Bridgeport

FLORIDA
- Jacksonville
- Key West
- Miami (2)
- Miami Beach (2)
- Orlando
- Panama City
- Pensacola (2)
- Tallahassee
- Tampa

GEORGIA
- Atlanta
- Augusta
- Columbus
- Macon
- Savannah
- Thomasville
- Valdosta

ILLINOIS
- Chicago
- Danville

IOWA
- Clinton

INDIANA
- Evansville
- Indianapolis

KENTUCKY
- Lexington
- Paducah
- Shively

LOUISIANA
- Baton Rouge
- Crowley
- Lafayette
- New Iberia
- New Orleans
- Opelousas

MARYLAND
- Baltimore
- Salisbury

MICHIGAN
- Detroit
- Kalamazoo

MINNESOTA
- St. Paul

MISSISSIPPI
- Greenville
- Jackson
- Meridian
- Natchez

MISSOURI
- St. Louis

NEW MEXICO
- Hobbs
- Santa Fe

NEW YORK
- Rochester
- Syracuse

NORTH CAROLINA
- Asheville
- Charlotte
- Elizabeth City
- Greensboro
- Raleigh

OHIO
- Canton
- Lancaster
- Zanesville

OKLAHOMA
- Muskogee

PENNSYLVANIA
- Altoona
- Johnstown
- Philadelphia

SOUTH CAROLINA
- Aiken
- Charleston
- Columbia
- Greenville
- Greenwood
- Spartanburg

TENNESSEE
- Chattanooga
- Jackson
- Memphis (2)

TEXAS
- Abilene
- Amarillo
- Austin
- Baytown
- Beaumont (3)
- Big Spring
- Borger
- Brownsville
- Brownwood
- Corpus Christi (2)
- Corsicana
- Dallas (3)
- Galveston (2)
- Harlingen
- Laredo
- Longview
- McAllen
- Midland
- San Antonio (2)
- Texarkana
- Waco
- Wichita Falls

WEST VIRGINIA
- Charleston
- Huntington

WISCONSIN
- Fond du Lac
- Green Bay
- Madison
- Oshkosh
- Sheboygan

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MANGEL

STORES CORPORATION
AND SUBSIDIARIES

ANNUAL REPORT 1958

FOR THE YEAR ENDED
FEBRUARY FIRST